

Message Text

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64

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-01 SIL-01 OMB-01 STR-01 TAR-01 EUR-12

OES-03 IO-10 NAS-01 DODE-00 PM-03 H-01 L-02 NSC-05

PA-01 PRS-01 SS-15 USIA-06 /103 W

----- 117224

R 252248Z NOV 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 2895

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

LIMITED OFFICIAL USE LIMA 9994

E.O. 11652: N/A

TAGS: PFOR,ECIN,EGEN,EALR

SUBJECT: ANDEAN PACT: RELATIONS WITH THE U.S.

REF: A. LIMA A-250

B. LIMA A-251

C. LIMA A-173

1. SUMMARY: DURING THEIR VISIT TO LIMA, THE POLICY PLANNING GROUP MET WITH THE THREE ANDEAN PACT JUNTA MEMBERS AND THE SECRETARY GENERAL OF THE JUNTA. CONVERSATIONS WERE OPEN AND FRIENDLY, BUT SOME OF THE MORE DELICATE ISSUES WERE NOT TOUCHED UPON BY THE JUNTA EXECUTIVES. THE LATTER KNOW THE U.S. WELL AND THEY WOULD LIKE TO KEEP RELATIONS ON FRIENDLY TERMS. THEIR OBJECTIVE IS NOT SO MUCH TO GAIN MATERIAL SUPPORT, AS TO ASSURE THAT U.S. ACTION, HOWEVER BENIGN ITS INTENT MIGHT BE, WILL NOT HINDER THE DELICATE TASK OF COMBIN-
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ING THE SIX ANDEAN COUNTRIES INTO A COMMON MARKET. AN

EXCESSIVELY FRIENDLY EMBRACE COULD BE JUST AS UNSETTLING AS THE EVIDENT U.S. DISENCHANTMENT WITH THE ANDEAN FOREIGN INVESTMENT CODE IN YEARS PAST. THE MESSAGE TO THE U.S., AS GATHERED THROUGH INFORMAL CONTACT WITH JUNTA OFFICIALS, IS THAT CONTINUED CLOSE U.S.-ANDEAN ECONOMIC RELATIONS ARE DESIRABLE AND OF MUTUAL ADVANTAGE, BUT THAT THESE HAVE TO BE BASED ON A PRAGMATIC ASSESSMENT OF CHANGING CONDITIONS. ONE OF THE LATTER IS THE INCREASING ROLE OF THE PUBLIC SECTOR IN PRODUCTION AND TRADE IN THE ANDEAN REGION. END SUMMARY

2. REMARKS BY JUNTA MEMBERS: ONE OF THE POINTS MADE WAS THAT THE PROCESS OF INTEGRATION WOULD BE GREATLY ADVANCED IF PREFERENCE MARGINS FOR LOCAL PROCUREMENT UNDER LOAN AGREEMENTS WITH INTERNATIONAL LENDING INSTITUTIONS WERE THE SAME AS THE DUTY LEVIED BY THE ANDEAN COMMON EXTERNAL TARIFF FOR THE RESPECTIVE PRODUCT, RATHER THAN THE STANDARD 15 PERCENT.

3. ALSO NOTEWORTHY WAS THE HIGH PRAISE FOR CANADA, SPAIN AND THE EEC FOR THEIR UNCONDITIONED SUPPORT FOR ANDEAN INTEGRATION AIMS, BACKED UP BY EFFECTIVE ASSISTANCE PROGRAMS. JUNTA MEMBER SALVADOR LLUCH COMMENTED ON THE DIFFICULTY OF DESIGNING TECHNICAL INFORMATION SYSTEMS WITHOUT RUNNING THE RISK OF CREATING REDUNDANT INSTITUTIONS. HE ADDED THAT THE JUNTA PROPOSAL FOR AN ANDEAN SYSTEM TO CHANNEL TECHNICAL AND SCIENTIFIC INFORMATION TO END USERS IS STILL UNDER STUDY AND IS ONE OF THE MORE DIFFICULT CURRENT TASKS (SEE REPAIRS A AND B FOR BACKGROUND INFORMATION).

4. CERTAIN ELEMENTS IN JUNTA POSITION AS INTERPRETED BY REGIONAL INTEGRATION OFFICER: IN RESPONSE TO A QUESTION, JUNTA MEMBER GERMANICO SALGADO MENTIONED THAT HE NEED FOR U.S. ASSISTANCE TO THE JUNTA HAS SO FAR BEEN LIMITED. SOME COMMENTS CAN BE ADDED ON THIS SUBJECT WHICH MR. SALGADO WOULD PROBABLY HAVE MADE HAD HE CHOSE TO ELABORATE. FIRST, ASSISTANCE OFFERS FROM OTHER SOURCES ARE INDEED EXTENSIVE (SEE REPAIR C) AND U.S. HELP IS NOT CRUCIAL IN MONETARY TERMS. SECOND, GIVEN ITS OPERATIONAL CHARACTER- LIMITED OFFICIAL USE

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ISTICS AS A SECRETARIAT, THE JUNTA CAN ONLY UTILIZE FOREIGN ASSISTANCE WHICH SUPPORTS ITS ASSIGNED PROGRAM OBJECTIVES WITHOUT RESERVATION OR CONDITION. THE JOINT PLANNING CONCEPT IN U.S. A.I.D. ASSISTANCE PROCEDURES IS DIFFICULT TO APPLY, SINCE THE JUNTA OPERATES UNDER MANDATES FROM THE COMMISSION. (THE ANDEAN DEVELOPMENT CORPORATION HAS GREATER LEEWAY IN ITS NEGOTIATIONS FOR FOREIGN ASSISTANCE.) THIRD, THE U.S. REMAINS THE PREDOMINANT PRESENCE IN THE ANDEAN

COUNTRIES, AND THE JUNTA REFLECTS THE POLICY OBJECTIVES OF MOST ANDEAN GOVERNMENTS WITH RESPECT TO DIVERSIFYING ECONOMIC RELATIONS. HOWEVER, THIS DOES NOT NECESSARILY IMPLY A NEGATIVE ATTITUDE TOWARD THE U.S.

5. ANOTHER AREA IN WHICH THE JUNTA POSITION REFLECTS REALITIES IN THE MEMBER COUNTRIES IS THE GROWING INFLUENCE OF THE PUBLIC SECTOR IN PRODUCTION AND TRADE. THE ATTITUDE OF THE JUNTA CAN BE INTERPRETED AS FOLLOWS: THE U.S. IS REGARDED AS BEING IDEOLOGICALLY COMMITTED TO PROMOTING THE PRIVATE SECTOR OVERSEAS (NOTE RESTRICTIVE TERMS IN FAVOR OF THE PRIVATE SECTOR IN THE A.I.D. LOAN TO ANDEAN DEVELOPMENT CORPORATION). WHILE COUNTRIES SUCH AS CANADA UNCRITICALLY SUPPORT OVERALL ANDEAN PACT OBJECTIVES, THE U.S. IS SEEN AS WANTING TO SUPPORT ONLY SPECIFIC ASPECTS, THEREBY EXERCISING INFLUENCE OVER INTERNAL DETERMINATION OF PRIORITIES. THE COMMUNIST BLOC COUNTRIES ARE VIEWED WITH SIMILAR SUSPICION.

6. THE PRINCIPAL STUMBLING BLOCK, OF COURSE, HAS IN THE PAST BEEN THE ANDEAN FOREIGN INVESTMENT CODE. INTEGRATION LEADERS RESENT WARNINGS ABOUT NEGATIVE EFFECTS OF DECISION 24 ON ANDEAN ECONOMIC DEVELOPMENT. AT BEST, SUCH WARNINGS ARE CONSIDERED PATERNALISTIC; AT WORST, THEY ARE REGARDED AS PRESSURE TO MAINTAIN THE STATUS QUO IN FAVOR OF U.S. FIRMS.

7. IN GENERAL, THE HOPE SEEMS TO BE THAT THE U.S. WILL TREAT THE REGION FROM A NORMAL, PRAGMATIC BUSINESS POINT OF VIEW. THE LARGER INTEGRATION PROJECTS IN THE PETROCHEMICAL AND OTHER INDUSTRIES WILL IN ANY CASE HAVE PUBLIC SECTOR PARTICIPATION AND THE ROLE OF FOREIGN FIRMS WILL BE A MATTER OF NEGOTIATION. JUST AS INNOVATIVE BUSINESS APPROACHES ARE BEING DEVELOPED IN OTHER PARTS OF THE WORLD, INCLUDING LIMITED OFFICIAL USE

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ING WITH COMMUNIST BLOC COUNTRIES, IT IS EXPECTED THAT COMPETITION WILL INFLUENCE FOREIGN FIRMS TO BECOME MORE RECEPTIVE TO NEW APPROACHES IN THE ANDEAN REGION AS WELL. INDICATIVE OF THIS FEELING ON PART OF THE JUNTA IS THE QUESTIONING OF THE CONCEPT OF "TECHNOLOGY TRANSFER". TECHNOLOGY IS A VALUABLE COMMODITY WHICH IS NOT "TRANSFERRED" WITHOUT DIRECT OR INDIRECT COSTS AND CONDITIONS. ITS ACQUISITION OR APPLICATION ON PART OF LDC'S MUST BE A MATTER OF PRAGMATIC AND INFORMED NEGOTIATION.

8. COMMENT: THE SCIENCE AND TECHNOLOGY ASSISTANCE PROPOSAL PRESENTED IN REF AIR B FITS CURRENT NEEDS AND INTERESTS. IT WOULD BE A STEP TOWARD CLOSER MUTUAL COOPERATION AND UNDERSTANDING WITHIN THE NEW FRAMEWORK OF NATIONALISM IN THE ANDEAN REGION.

DEAN

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Message Attributes

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